

CITY OF WHITING, IOWA
INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
AND SCHEDULE OF FINDINGS

JUNE 30, 2011

CITY OF WHITING, IOWA

TABLE OF CONTENTS

		<u>Page</u>
Officials		1
Independent Auditors' Report		2-3
Basic Financial Statements:	<u>Exhibit</u>	
Government-Wide Financial Statements:		
Statement of Activities and Net Assets – Cash Basis	A	4-5
Governmental Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	6-7
Proprietary Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C	8
Notes to Financial Statements		9-14
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds		15-16
Notes to Required Supplementary Information – Budgetary Reporting		17
Other Supplementary Information:	<u>Schedule</u>	
Combining Schedule of Cash Receipts, Disbursements and Changes in Cash Balances – Nonmajor Governmental Funds	1	18
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards		19-20
Schedule of Findings		21-23

CITY OF WHITING

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Philip Derr	Mayor	January, 2014
Carlene Bird	Council Member	January, 2014
Robert Haack	Council Member	January, 2014
Thomas Marr	Council Member	January, 2012
Lorraine Sarrazin	Council Member	January, 2012
David Storm	Council Member	January, 2012
Karen Handeland	Clerk/Treasurer	Annual
Jeffrey Sar	Attorney	Annual

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the City Council
City of Whiting, Iowa
Whiting, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Whiting, Iowa as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Whiting's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Whiting, Iowa, as of June 30, 2011, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2011 on our consideration of the City of Whiting's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. However, the City of Whiting has not presented management's discussion and analysis that U.S. generally accepted accounting principles has determined is necessary to supplement, although not required to be part of, the basic financial statements. The budgetary comparison information on pages 15 and 16 is not a required part of the basic financial statements but is supplementary information required by the Government Accounting Standards Board.

We have applied certain limited procedures to the budgetary comparison information in accordance with auditing standards generally accepted in the United States of America, which consisted principally of inquiries of management about the methods preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Whiting's financial statements as a whole. The combining nonmajor fund financial statements are presented for the purposes of additional analysis and are not a required part of the financial statements. The combining nonmajor fund financial statements are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Willcom & Company P.C.
Certified Public Accountants

November 3, 2011
Onawa, Iowa

BASIC FINANCIAL STATEMENTS

CITY OF WHITING, IOWA
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

Functions/Programs	Disbursements	Program Receipts	
		Charges for Services	Operating Grants Contributions and Other Program Revenues
Primary Government:			
Governmental Activities:			
Public Safety	\$ 113,340	\$ 17,273	\$ -
Public Works	153,256	68,170	76,116
Culture and Recreation	111,955	950	6,136
Community and Economic Development	5,000	-	-
General Government	63,870	603	-
Total Governmental Activities	<u>447,421</u>	<u>86,996</u>	<u>82,252</u>
Business-Type Activities:			
Water System	129,355	76,646	-
Sewer System	<u>150,698</u>	<u>107,535</u>	<u>-</u>
Total Business-Type Activities:	<u>280,053</u>	<u>184,181</u>	<u>-</u>
Total	<u>\$ 727,474</u>	<u>\$ 271,177</u>	<u>\$ 82,252</u>

General Receipts:

Property Taxes
Local Option Sales Tax
Unrestricted Investment Earnings
Contributions Not Restricted to Specific Purpose
Miscellaneous
Interfund Transfers
Total General Revenues
Change in Cash Basis Net Assets
Cash Basis Net Assets - Beginning
Cash Basis Net Assets - Ending

Cash Basis Net Assets

Restricted:
Expendable:
 Debt Service
 Streets
 Other Purposes
Unrestricted
Total Cash Basis Net Assets

See Accompanying Notes to Financial Statements

Exhibit A

Net (Disbursements) Receipts and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (96,067)		\$ (96,067)
(8,970)		(8,970)
(104,869)		(104,869)
(5,000)		(5,000)
(63,267)		(63,267)
<u>(278,173)</u>		<u>(278,173)</u>
	\$ (52,709)	(52,709)
	(43,163)	(43,163)
	<u>(95,872)</u>	<u>(95,872)</u>
<u>(278,173)</u>	<u>(95,872)</u>	<u>(374,045)</u>
164,368	-	164,368
53,764	-	53,764
1,605	800	2,405
35,612	-	35,612
76,236	18,379	94,615
12,310	(12,310)	-
<u>343,895</u>	<u>6,869</u>	<u>350,764</u>
65,722	(89,003)	(23,281)
240,278	143,878	384,156
<u>\$ 306,000</u>	<u>\$ 54,875</u>	<u>\$ 360,875</u>
\$ 57,663	\$ -	\$ 57,663
75,429	-	75,429
39,417	-	39,417
133,491	54,875	188,366
<u>\$ 306,000</u>	<u>\$ 54,875</u>	<u>\$ 360,875</u>

CITY OF WHITING, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

		<u>Special Revenue</u>		
	<u>General</u>	<u>Road Use Tax</u>	<u>Local Option Sales Tax</u>	<u>Debt Service</u>
Receipts:				
Property Tax	\$ 163,557	\$ -	\$ -	\$ 811
Licenses and Permits	603	-	-	-
Intergovernmental Revenue	23,314	76,116	53,764	-
Charges for Services	68,170	-	-	-
Rental of City Property	950	-	-	-
Fines and Forfeits	95	-	-	-
Interest	1,525	80	-	-
Contributions and Donations	35,612	-	-	-
Miscellaneous	71,333	4,903	-	-
Total Receipts	<u>365,159</u>	<u>81,099</u>	<u>53,764</u>	<u>811</u>
Disbursements:				
Operating:				
Public Safety	113,340	-	-	-
Public Works	73,553	79,703	-	-
Culture and Recreation	111,955	-	-	-
Community and Economic Development	5,000	-	-	-
General Government	37,481	-	26,389	-
Total Disbursements	<u>341,329</u>	<u>79,703</u>	<u>26,389</u>	<u>-</u>
Excess of Receipts Over Disbursements	<u>23,830</u>	<u>1,396</u>	<u>27,375</u>	<u>811</u>
Other Financing Sources (Uses):				
Operating Transfers In	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Cash Balances	23,830	1,396	27,375	811
Cash Balances Beginning of Year	109,661	74,033	12,042	56,852
Cash Balances End of Year	<u>\$ 133,491</u>	<u>\$ 75,429</u>	<u>\$ 39,417</u>	<u>\$ 57,663</u>
Cash Basis Fund Balances				
Restricted For:				
Debt Service	\$ -	\$ -	\$ -	\$ 57,663
Streets	-	75,429	-	-
Other Purposes	-	-	39,417	-
Unassigned	133,491	-	-	-
Total Cash Basis Fund Balances	<u>\$ 133,491</u>	<u>\$ 75,429</u>	<u>\$ 39,417</u>	<u>\$ 57,663</u>

See Accompanying Notes to Financial Statements

Exhibit B

Other Nonmajor Governmental Funds		Total Governmental Funds	
\$	-	\$	164,368
	-		603
	-		153,194
	-		68,170
	-		950
	-		95
	-		1,605
	-		35,612
	-		76,236
	-		500,833
	-		
	-		113,340
	-		153,256
	-		111,955
	-		5,000
	-		63,870
	-		447,421
	-		
	-		53,412
	12,310		12,310
	12,310		65,722
	(12,310)		240,278
\$	-	\$	306,000
\$	-	\$	57,663
	-		75,429
			39,417
	-		133,491
\$	-	\$	306,000

CITY OF WHITING, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

	Business Type Activities		
	Water System	Sewer System	Total
Operating Receipts:			
Charges for Services	\$ 76,646	\$ 107,535	\$ 184,181
Operating Disbursements:			
Business Type Activities	94,355	91,388	185,743
Excess (Deficiency) of Operating Receipts Over Operating Disbursements	(17,709)	16,147	(1,562)
Non-Operating Receipts (Disbursements):			
Interest on Investments	533	267	800
Miscellaneous	15,768	2,611	18,379
Debt Service	(35,000)	(59,310)	(94,310)
	(18,699)	(56,432)	(75,131)
(Deficiency) of Receipts Over Operating Disbursements	(36,408)	(40,285)	(76,693)
Other Financing Sources (Uses)			
Operating Transfers Out	-	(12,310)	(12,310)
Net Change in Cash Balances	(36,408)	(52,595)	(89,003)
Cash Balances - Beginning of Year	32,024	111,854	143,878
Cash Balances (Deficit) - End of Year	\$ (4,384)	\$ 59,259	\$ 54,875
Cash Basis Fund Balances			
Unrestricted	\$ (4,384)	\$ 59,259	\$ 54,875

See Accompanying Notes to Financial Statements

CITY OF WHITING, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Whiting is a political subdivision of the State of Iowa located in Monona County. It was first incorporated in 1873 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Whiting has included all funds, organizations, agencies, boards, commissions, and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods and services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Monona County Assessor's Conference Board, Monona County Emergency Management Commission, Monona County Landfill Commission and Monona County Joint E911 Service Board.

B. Basis of Presentation

Government-Wide Financial Statements

The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in the following categories/components:

Expendable restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consists of net assets not meeting the definition on the preceding category. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

CITY OF WHITING, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Fund Financial Statements

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Local Option Sales Tax Fund is used to account for the monies received from local option sales tax.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City of Whiting maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U. S. generally accepted accounting principles.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements.

CITY OF WHITING, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

D. Governmental Cash Basis Fund Balances:

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation. Restricted funds are used first as appropriate.

Unassigned – All amounts not included in other spendable classifications.

General Fund

The General Fund has an Unassigned Fund Balance of \$133,491 at June 30, 2011.

Other Major Funds

The Road Use Tax Fund has a Restricted Fund Balance of \$75,429 consisting of primarily unspent funds used for street construction and maintenance.

The Local Option Sales Tax Fund has a Restricted Fund Balance of \$39,417 consisting of primarily unspent funds used for other special purposes.

The Debt Service Fund has a Restricted Fund Balance of \$57,663 consisting of primarily unspent funds used to pay general long-term debt principal and interest.

E. Budgets:

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, disbursements exceeded the amounts budgeted in the Culture and Recreation Fund.

Note 2 – DEPOSITS AND INVESTMENTS

Deposits

The City's deposits at June 30, 2011 were entirely covered by Federal Depository Insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds. The City's bank deposits, per banks, at June 30, 2010, were \$371,249. These deposits have a book balance of \$360,874.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Investments

Investments are shown at fair value, except those that have a remaining maturity at the time of purchase of one year or less are shown at amortized costs. Presented below are the ratings, where applicable, by investment type as of June 30, 2011.

<u>Investment</u>	<u>Carrying Amount</u>	<u>Moody's Rating</u> <u>6/30/11</u>
U.S. Government Series E Bonds	\$1,050	N/A

CITY OF WHITING, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

Note 2 – DEPOSITS AND INVESTMENTS – (Cont.)

Interest Rate Risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

Credit Risk – State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. It is the City's policy to comply with rating restrictions.

Custodial Credit Risk – Deposits – In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The 2005 Iowa Code Chapter 12C Deposit of Public Funds requires that any bank accepting deposits of public funds to fully collateralize those deposits with the State Treasurer.

Custodial Risk – Investments – For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the City's investments at June 30, 2011, the City has limited custodial credit risk exposure because all investments of the City must be held for the credit of the City in compliance with Iowa Code Chapter 12B. The counterparty must keep the securities in an account separate and apart from its own.

Note 3 - BONDS AND NOTES PAYABLE

Annual debt service requirements to maturity for the outstanding debt capital notes are as follows:

Year Ending June 30,	Iowa Finance Authority <u>Sewer Project</u>		Sloan State Bank <u>Water System</u>		<u>Total Business Type</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 17,000	\$ 7,830	\$22,106	\$2,003	\$ 39,106	\$ 9,833
2013	17,000	7,320	22,858	1,252	39,858	8,572
2014	18,000	6,810	13,958	475	31,958	7,285
2015	18,000	6,270			18,000	6,270
2016	19,000	5,730			19,000	5,730
2017- 2021	103,000	19,830			103,000	19,830
2022- 2024	69,000	4,200			69,000	4,200
Total	<u>\$261,000</u>	<u>\$57,990</u>	<u>\$58,922</u>	<u>\$3,730</u>	<u>\$319,922</u>	<u>\$61,720</u>

The debt is paid from the water and sewer funds through fees collected.

Note 4 - PENSION AND RETIREMENT BENEFITS

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.50% of their annual covered salary and the City is required to contribute 6.95% of annual covered payroll except for police employees, in which case the percentages are 6.64% and 9.95%, respectively. For the year ended June 30, 2010, the contribution rates for police employees and the City were 6.14% and 9.20%, respectively, and for the year ended June 30, 2009, the contribution rates for police employees and the City were 5.63% and 8.45%, respectively. Contribution requirements are established by State Statute. The City's contributions to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$9,677, \$9,118 and \$10,564, respectively, equal to the required contributions for each year.

CITY OF WHITING, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

Note 5 – RISK MANAGEMENT

The City is a member of the Iowa Communities Assurance Pool as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 645 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2011 were \$21,613.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$12,000,000 such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsurance by the Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2011, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim has incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

CITY OF WHITING, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

Note 6 - COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payments to employees at June 30, 2011, is \$8,198.

This liability has been computed based on rates of pay in effect at June 30, 2011.

Note 7 - INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
Nonmajor Governmental Capital Projects Fund	Sewer Utility	\$ 12,310

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

Note 8 - DEFICIT BALANCES

The deficit in the enterprise water fund of \$4,384 will be eliminated by the collection of user fees.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WHITING, IOWA
BUDGETARY COMPARISON SCHEDULE
OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2011

	Governmental Funds Actual	Proprietary Funds Actual	Total
Receipts:			
Property Tax	\$ 164,368	\$ -	\$ 164,368
Licenses and Permits	603	-	603
Intergovernmental Revenue	153,194	-	153,194
Charges for Services	68,170	184,181	252,351
Rental of City Property	950	-	950
Fines and Forfeits	95	-	95
Interest	1,605	800	2,405
Contributions and Donations	35,612	-	35,612
Miscellaneous	76,236	18,379	94,615
Total Revenue	<u>500,833</u>	<u>203,360</u>	<u>704,193</u>
Disbursements:			
Operating:			
Public Safety	113,340	-	113,340
Public Works	153,256	-	153,256
Culture and Recreation	111,955	-	111,955
Community and Economic Development	5,000	-	5,000
General Government	63,870	-	63,870
Capital Projects	-	-	-
Business Type Activities	-	280,053	280,053
Total Disbursements	<u>447,421</u>	<u>280,053</u>	<u>727,474</u>
Excess (Deficiency) of Receipts Over Disbursements	<u>53,412</u>	<u>(76,693)</u>	<u>(23,281)</u>
Other Financing Sources (Uses):			
Interfund Transfers In	12,310	-	12,310
Interfund Transfers Out	-	(12,310)	(12,310)
Total Other Financing Sources (Uses)	<u>12,310</u>	<u>(12,310)</u>	<u>-</u>
Excess (Deficiency) of Receipts and Other Financing Sources Over Disbursements and Other Financing (Uses)	<u>65,722</u>	<u>(89,003)</u>	<u>(23,281)</u>
Cash Balances - Beginning of Year	<u>240,278</u>	<u>143,878</u>	<u>384,156</u>
Cash Balances - End of Year	<u>\$ 306,000</u>	<u>\$ 54,875</u>	<u>\$ 360,875</u>

See Accompanying Independent Auditors' Report

Budgeted Amounts		Final To Net Variance
Original	Final	
\$ 160,094	\$ 160,094	\$ 4,274
500	500	103
134,204	134,204	18,990
264,000	264,000	(11,649)
8,000	8,000	(7,050)
-	-	95
-	-	2,405
-	-	35,612
33,500	33,500	61,115
600,298	600,298	103,895
91,500	121,500	8,160
141,000	154,500	1,244
74,000	105,000	(6,955)
5,000	5,000	-
56,000	75,500	11,630
15,000	-	-
249,000	300,000	19,947
631,500	761,500	34,026
(31,202)	(161,202)	137,921
13,000	13,000	(690)
(13,000)	(13,000)	690
-	-	-
(31,202)	(161,202)	137,921
269,405	269,405	114,751
\$ 238,203	\$ 108,203	\$ 252,672

CITY OF WHITING, IOWA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
JUNE 30, 2011

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$130,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2011, the disbursements exceeded the amount budgeted in the Culture and Recreation Fund.

SUPPLEMENTARY INFORMATION

CITY OF WHITING, IOWA
COMBINING SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS AND CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

	<u>Capital Project Fund</u>
	<u>Sewer</u>
Receipts:	
None	\$ -
Disbursements:	
None	-
Excess of Receipts over Disbursements	-
Other Financing Sources (Uses):	
Operating Transfers In	12,310
Net Change in Cash Balances	12,310
Cash Balances Beginning of Year	(12,310)
Cash Balances End of Year	<u>\$ -</u>

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and
Members of the City Council
City of Whiting, Iowa
Whiting, Iowa

We have audited the financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of the City of Whiting, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City of Whiting's basic financial statements listed in the table of contents and have issued our report thereon dated November 3, 2011. The financial statements were prepared on the cash basis of accounting which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Whiting's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Whiting's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Whiting's internal control over financial reporting.

Our consideration of internal controls over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings as items II-A-11 and II-B-11 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Whiting's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contract and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of non-compliance that are required to be reported

under *Government Auditing Standards*. We also noted certain immaterial instances of non-compliance or other matters that are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Whiting's responses to findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the City of Whiting's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of the City of Whiting and other parties to whom the City of Whiting may report. This report is not intended to be and should not be used by anyone other than those specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Whiting, Iowa, during the course of our examination. If you have any questions concerning the above matters, we would be pleased to discuss them with you at your convenience.

William J. & Company P.C.

Certified Public Accountants

Onawa, Iowa
November 3, 2011

**CITY OF WHITING, IOWA
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

Part I: Summary of the Independent Auditors' Results

- (a) Unqualified opinions were issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

MATERIAL WEAKNESSES:

II-A-11 Financial Accounting - Segregation of Duties

Observation – The City clerk is involved in almost all phases of the finance operations, including check preparation, preparation of journal entries, as well as financial reporting and statements.

Recommendations – With a limited number of personnel, segregation of duties is difficult. The City should implement management review procedures which we feel would aid in improving the internal control of the City.

Response – The City feels that additional personnel would not be cost effective. However, management will monitor transactions on a regular basis.

Conclusion – Response accepted.

II-B-11 Financial Reporting

Observation – During the audit, we identified transactions that needed to be reclassified in the general ledger.

Recommendations – With limited personnel, the City should implement procedures to ensure that all postings are properly recorded in the appropriate account(s).

Response – The City will double check posting of transactions in the future to ensure that they are properly recorded in the appropriate account(s).

Conclusion – Response accepted.

Part III: Other Findings Related to Required Statutory Reporting

- III-A-11 Official Depositories** - A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2011.

**CITY OF WHITING, IOWA
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

Part III: Other Findings Related to Required Statutory Reporting (Cont.)

III-B-11 Certified Budget – Disbursements during the fiscal year ended June 30, 2011 exceeded the amount budgeted in the Culture and Recreation Fund.

Recommendation – The budget should be amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

III-C-11 Deposits and Investments – In accordance with Chapter 12B.10B of the Code of Iowa, City of Whiting, Iowa is required to have a written investment policy. During the audit, we were unable to be provided with such policy by City of Whiting, Iowa.

Recommendation – An investment policy should be written in accordance with Chapter 12B.10B of the Code of Iowa and approved by the Council.

Response – An investment policy was written in accordance with Chapter 12B.10B of the Code of Iowa and approved by the Council on October 3, 2011..

Conclusion – Response accepted.

III-D-11 Questionable Disbursement – We noted no disbursements that did not meet the requirements of public purpose as defined in the Attorney General's Opinion dated April 25, 1979.

III-E-11 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

III-F-11 Business Transactions – Business transactions between the City and city officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Alex West, Son of Terry West, City Maintenance Supervisor	Summer Labor	\$ 15
Nick West, Son of Terry West, City Maintenance Supervisor	Summer Labor	\$ 44
Robert Haack, Council Member	Miscellaneous Mowing Etc.	\$ 525

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transactions with the sons of the City Maintenance Supervisor and Council Member do not appear to represent conflicts of interest since total transactions with each individual were less than \$1,500 during the fiscal year.

III-G-11 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

**CITY OF WHITING, IOWA
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011**

Part III: Other Findings Related to Required Statutory Reporting (Cont.)

III-H-11 **Council Minutes** – During the audit, we found that the Council did not approve the transfer in the minutes. However, there were no other transactions that we believe should have been approved in the Council minutes but were not.

Recommendation – The City Council should approve all transfers in the minutes.

Response – The City Council will approve all transfers in the minutes.

Conclusion – Response accepted.